Supreme Court, U.S.
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No. 93-1227

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

COMPRESSION POLYMERS, INC., *et al.*,
Petitioners,

v.

SANTANA PRODUCTS, INC.,
Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Third Circuit

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BRIEF FOR THE RESPONDENT IN OPPOSITION

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QUESTION PRESENTED

Whether the court of appeals correctly determined that the petitioners' interlocutory appeal of a trial court's order granting partial summary judgment on one of several claims in the case—a trademark cancellation claim—fails to come within 28 U.S.C. § 1292(a)(1)'s exception to the final judgment rule against interlocutory appeals.

RULE 29.1 LIST

Respondent Santana Products, Inc., has no parents, subsidiaries, or affiliates to list pursuant to Rule 29.1.

TABLE OF CONTENTS

	Page
OPINIONS BELOW	1
JURISDICTION	1
STATEMENT	2
ARGUMENT	3
CONCLUSION	10
APPENDIX:	
Defendants' Reply Brief in Support of Their Motion to Continue Rule 62 Stay	1a

TABLE OF AUTHORITIES

Cases:	Page
Carson v. American Brands, Inc., 450 U.S. 79 (1981)	*passim*
Cobbledick v. United States, 309 U.S. 323 (1940)	3
Hanover Star Milling Co. v. Metcalf, 240 U.S. 403 (1915)	5
Kansas Gas & Elec. Co. v. Westinghouse Elec. Co., 861 F.2d 420 (4th Cir. 1988)	8,9
Keebler Co. v. Rovira Biscuit Corp., 624 F.2d 366 (1st Cir. 1980)	5
Nordin v. Nutri/System, Inc., 897 F.2d 339 (8th Cir. 1990)	9
Sherri A.D. v. Kirby, 975 F.2d 193 (5th Cir. 1992)	8
The Trade-Mark Cases, 100 U.S. 82 (1879)	5
Two Pesos, Inc. v. Taco Cabana, Inc., 112 S. Ct. 2753 (1992)	5,7
Uehlein v. Jackson Nat'l Life Ins. Co., 794 F.2d 300 (7th Cir. 1986), *cert. denied*, 479 U.S. 1034 (1987)	8,9
United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90 (1918)	5
United States v. Bayshore Assoc., Inc., 934 F.2d 1391 (6th Cir. 1986)	9
Statutes:	
Lanham Trademark Act	
§ 2(d), 15 U.S.C. § 1052(d)	5
§ 43(a), 15 U.S.C. § 1125(a)	5,7
Judicial Code	
28 U.S.C. § 1292(a)(1)	*passim*
Rules:	
Fed. R. Civ. P. 65(d)	4

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OPINIONS BELOW

The opinion of the court of appeals, Pet. App. 4a-16a, is reported at 8 F.3d 152. The opinion of the district court, Pet. App. 20a-28a, is not reported.

JURISDICTION

The judgment of the court of appeals was entered on October 29, 1993. A petition for rehearing was denied on November 30, 1993. The petition for certiorari was filed on January 28, 1994. The juris-

diction of this Court is invoked under 28 U.S.C. § 1254(1).

STATEMENT

Respondent Santana has since 1979 made and sold restroom partitions under its "Santana" trademark. (The mark is registered under Pennsylvania law, but is not federally registered.) Substantially later, the petitioners began to make and sell restroom partitions under the "Sanatec" trademark and registered that mark with the Patent and Trademark Office. The respondent then sued the petitioners in the Middle District of Pennsylvania for unfair competition, for infringement of the respondent's "Santana" trademark, under various other state law claims, and for cancellation of the federal registration of the "Sanatec" mark. Pet. 6a-7a.

The respondent moved for partial summary judgment, which the district court granted as to the cancellation claim only. The respondent's other claims remain to be tried, as does a counterclaim by the petitioners. Pet. 7a.

The petitioners sought to appeal the trial court's interlocutory order, under 28 U.S.C. § 1292(a)(1). The Third Circuit dismissed the appeal, holding that the trial court's order was not an injunction and did not have the effect of an injunction: "In fact, the order does not compel Compression Polymers to take any action nor does the order restrain it from doing anything." Pet. 10a. Further, the Third Circuit rejected the contention that the trial court's interlocutory order extinguished the petitioners' right to use the "Sanatec" mark: "Compression Polymers will not lose

its right to use the mark simply because of the cancellation of its registration." Pet. 11a.

ARGUMENT

1. The Third Circuit properly held that § 1292(a)(1) does not entitle the petitioners to appeal the trial court's interlocutory order that the registration of the petitioners' trademark should be cancelled. Congress has always forbidden piecemeal, interlocutory appeals except where it has, for supervening reasons of policy, provided a special exception to the final judgment rule. *Carson v. American Brands, Inc.*, 450 U.S. 79, 83 (1981); *Cobbledick v. United States*, 309 U.S. 323, 325 (1940).

In this case, the petitioners seek to bring themselves within 28 U.S.C. § 1292(a)(1)'s exception for grants and denials of injunctions, but the petitioners' case does not fall within the confines of that exception. The trial court did not grant an appealable injunction or injunction-like order here, within the scope of § 1292(a)(1) as this Court and the courts of appeals have construed it. The Third Circuit therefore properly held that the final judgment rule governs, and properly dismissed the petitioners' appeal from the trial court's interlocutory order.

As this Court held in *Carson*, *supra*, an interlocutory order—other than one explicitly denominated an injunction[1]—is immediately appealable under § 1292(a)(1) only if the would-be appellant shows: (1) that the order has the same practical effect as that

[1] An explicit injunction, or its denial, is automatically appealable under § 1292(a)(1). The petitioners do not claim that such an order is involved here.

of a grant or denial of an injunction, *and also* (2) that the would-be appellant will suffer "serious, perhaps irreparable" injurious consequences that can be "effectually challenged only by immediate appeal." 450 U.S. at 84. None of those requirements of *Carson* has been met here, although petitioners must satisfy all of the *Carson* requirements to be entitled to an exceptional, interlocutory appeal under § 1292(a)(1).

a. The trial court's order is not an injunction nor is it injunction-like. The order does not have the same practical effect as a grant of an injunction. Rather, the practical effect of the order is that of a declaratory judgment on one out of a half dozen claims in the case. The order below does not require anyone—and certainly none of the petitioners—to do or refrain from doing anything. Accordingly, no one can be held in contempt for "disobedience" of the order.[2]

Clearly, as the Third Circuit emphasized (Pet. 9a-10a), the order does not enjoin the petitioners, and *they* cannot be held in contempt for disobeying its directions. Moreover, contrary to the petitioners' unsupported assertions (Pet. 8-9), the Commissioner of Patents and Trademarks cannot be held in contempt, either, for disregarding the order. The Commissioner is not a party to this action and is not in active concert or participation with the petitioners. Accordingly, any injunction, if there were one, could not bind the Commissioner. Fed. R. Civ. P. 65(d).

Nor, as the court of appeals noted (Pet. 11a), does the ruling prohibit the petitioners from *using* the mark. The order does not even make the petitioners

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[2] We place quotation marks around "disobedience" because there is nothing to disobey.

liable in damages for using the mark, as petitioners erroneously suggest (Pet. 14, n.8). Under settled principles of trademark law, the right to use a mark does not depend on ownership of a federal registration. It depends instead on common-law rights derived from the user's prior appropriation and use of the mark in a given area, and the circumstances surrounding the use. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97-100 (1918); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413-415 (1915); *The Trade-Mark Cases*, 100 U.S. 82, 94 (1879); see 15 U.S.C. § 1052(d); Pet. 11a.[3] Either the petitioners have such prior common-law rights or they lack them—that is a question of fact—and cancellation of the registration does not change those underlying facts and does not extinguish any common-law rights. *Keebler Co. v. Rovira Biscuit Corp.*, 624 F.2d 366, 372 (1st Cir. 1980) ("cancellation cannot extinguish a right that federal [trademark] registration did not confer").

Petitioners assert (Pet. 15) that they may be punished for contempt under the trial court's order if they represent that they own a federal registration for the mark. They cite nothing to support this assertion. Nor do they explain how the trial court could

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[3] Respondent Santana, for example, has used the "Santana" mark since 1979 without federally registering it. Santana has the right itself to use the mark, because of Santana's prior adoption and use of the mark. Santana has the right to exclude others from the use of the mark, or any mark confusingly similar to it, under the common law (for example, that of Pennsylvania, in which Santana also has rights under a state law registration) and under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). See *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S. Ct. 2753, 2757 (1992). Thus, it is abundantly clear that one can *use* a trademark without ever federally registering it.

hold them or any other party in contempt, absent their violating an order (which does not exist here) requiring them to do or refrain from doing something.

Clearly, the order from which petitioners sought to appeal does not have the practical effect of a grant or denial of an injunction, as this Court's *Carson* decision requires that it must to qualify under § 1292(a)(1) for an interlocutory appeal.

b. The petitioners are not in danger of suffering "serious, perhaps irreparable" injurious consequences that can be "effectually challenged only by immediate appeal" (*Carson, supra*) of the trial court's interlocutory order. Petitioners speculate that they may risk loss of "very significant benefits" against hypothetical trademark infringers (Pet. 12-13) or against hypothetical "innocent users" (Pet. 14) as a result of the trial court's ruling. Significantly, they fail to cite any record evidence that any of these hypothetical infringers or innocent users exist. Even if they did, that would not provide the kind of irreparable harm warranting an immediate appeal of an interlocutory order.

Petitioners' catalogue of potential harms is nothing more than the ordinary results that occur in any litigation when an interlocutory ruling at trial casts a cloud over one party's claims of rights. That kind of hypothetical, potential harm does not justify creation of a new type of interlocutory appeal to calm petitioners' speculative apprehensions. If it did, there would be a new, vast class of piecemeal appeals from interlocutory setbacks in litigation.

Indeed, petitioners concede (Pet. 15, n.9) that their parade of theoretical risks is purely academic, for they

have stopped using the challenged "Sanatec" trademark. In fact, they are now using a different trademark, "Comtec" (Defendants' Reply Brief in Support of Their Motion to Continue Rule 62 Stay, *infra*, at 3a-4a). Surely, the fact that the petitioners are now using a new and different trademark for their goods contradicts any claim that the trial court's determination that the registration for the original mark should be cancelled is so seriously and irreparably injurious to the petitioners that an immediate interlocutory appeal is essential.

Finally, the 1988 amendments to § 43(a) of the Lanham Trademark Act, 15 U.S.C. § 1125(a), dispel any possibility of legally cognizable, actual harm to the petitioners, even if they should want to go back to using their old "Sanatec" mark instead of their present "Comtec" mark. As this Court made clear in *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S. Ct. 2753 (1992), the 1988 amendments put unregistered marks under § 43(a) on a par with registered marks. See also *id.* at 2765 (concurring opinion of Stevens, J.) ("...Congress explicitly extended to any violation of § 43(a) the basic Lanham Act remedial provisions whose text previously covered only registered trademarks. The aim of the amendments was to apply the same protections to unregistered marks that were already afforded to registered marks.") Whatever rights in the "Sanatec" mark the petitioners may have, if any, remain fully and adequately protected under § 43(a).

The Third Circuit thus was clearly correct in holding the trial court's order unappealable under § 1292(a)(1), because the petitioners have completely

failed to meet their burden of proof under this Court's *Carson* decision, *supra*.

2. There is no conflict of circuits. Petitioners ask this Court to resolve an alleged conflict of circuits among the Fourth, Fifth, Sixth, Seventh, and Eighth Circuits, which petitioners say are in favor of such interlocutory appeals as that which petitioners seek here, and the First, Second, Third, Ninth, D.C., and perhaps other circuits, which admittedly oppose such interlocutory appeals (Pet. 16). Examination of the decisions that petitioners cite as conflicting with the instant decision, however, shows the absence of any such conflict.[4] None of the decisions conflicts with the

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[4] In *Kansas Gas & Elec. Co. v. Westinghouse Elec. Co.*, 861 F.2d 420 (4th Cir. 1988), the Fourth Circuit held that an order denying a motion to compel arbitration was appealable under § 1292(a)(1), because denial of arbitration (1) would enjoin arbitration in another tribunal, and (2) would have serious, perhaps irreparable consequences because the appellant's right to a speedy, economical resolution of the dispute would be lost forever. *Id.* at 422. Thus, the appellant in *Kansas Gas & Electric* showed both of the *Carson* factors that petitioners have failed to show here.

In *Sherri A.D. v. Kirby*, 975 F.2d 193 (5th Cir. 1992), the Fifth Circuit held that an order requiring transfer, *pendente lite*, of a handicapped person from one institution to another was appealable under § 1292(a)(1). First, the order had the effect of denying a request for a preliminary injunction against the handicapped person's transfer. *Id.* at 203. Second, the court held that the interim transfer could cause the cognitive and social skills of the handicapped person to deteriorate during the pendency of the litigation. *Id.* at 204. Again, both of the essential factors were shown that the instant petitioners have failed to show.

In *Uehlein v. Jackson Nat'l Life Ins. Co.*, 794 F.2d 300 (7th Cir. 1986), *cert. denied*, 479 U.S. 1034 (1987), the Seventh Circuit held unreviewable under § 1292(a)(1) a trial court's refusal

ruling below. They are all consistent with it and reflect a similar rationale.[5] None of them remotely supports the petitioners' right to an interlocutory appeal here, and under their reasoning the same result would have been reached as that of the court below.

There is thus no conflict to resolve between other circuits' decisions and the decision below. The decision below and the decisions that the petitioners claim are in conflict with it are completely in harmony.

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to turn over to one party to the litigation the proceeds of an insurance policy which the insurer had deposited with the court. As here, the court of appeals held that the order did not compel anyone to do anything, and was therefore not an injunction. It said that "the denial of one litigant's request to compel another litigant to surrender the stakes of the litigation is not the denial of an injunction or otherwise appealable." *Id.* at 303.

In *Nordin v. Nutri/System, Inc.*, 897 F.2d 339 (8th Cir. 1990), the Eighth Circuit held that denial of a motion to compel arbitration was appealable under § 1292(a)(1) for the same reasons that the Fourth Circuit so held in the *Kansas Gas & Electric* case, *supra*, and explicitly relied on that decision's rationale.

[5] This is true with one exception, *United States v. Bayshore Assoc., Inc.*, 934 F.2d 1391 (6th Cir. 1986), which the petitioners have miscited. The *Bayshore* decision has nothing to do with the *Carson* decision's standards for deciding appealability of orders that are not injunctions but nonetheless may have the effect of injunctions. In *Bayshore*, the Sixth Circuit held that the order before it actually was a preliminary injunction, not merely an order having the same practical effect as an injunction. Therefore, the order was automatically appealable under § 1292(a)(1), and the court said that it found it unnecessary even to consider the factors set out in the *Carson* decision, *supra*. *Id.* at 1396. Thus, *Bayshore* does not support, and is not even remotely relevant to, the petitioners' position.

CONCLUSION

The court of appeals correctly dismissed petitioners' interlocutory appeal, in accordance with this Court's interpretation of 28 U.S.C. § 1292(a)(1) and *Carson, supra.* There is no conflict between the Third Circuit's decision below and those of other circuits as to the interpretation of 28 U.S.C. § 1292(a)(1). The petition for certiorari should be denied.

Respectfully submitted.

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